

# **Highland-Bell**

LIMITED

**31st**

**Annual Report-1966**

## **Annual Meeting** •

The Annual General Meeting of the Shareholders will be held on Friday, the 28th day of April, 1967 at 10:30 o'clock in the morning in the Brockton Room, The Bayshore Inn, 1601 W. Georgia St., Vancouver, B.C.



# HIGHLAND-BELL LIMITED

(Incorporated under the Laws of the Province of British Columbia)

## Authorized Capital:

340,000 5% non-cumulative redeemable preferred shares of  
\$1.00 par value per share.

1,660,000 common shares of \$1.00 par value per share.

## DIRECTORS

KARL J. SPRINGER	Toronto, Ont.
J. J. CROWHURST	Vancouver, B.C.
R. A. C. DOUGLAS	Vancouver, B.C.
J. H. C. McCLELLAND	Toronto, Ont.
W. A. McELMOYLE	Victoria, B.C.
M. M. O'BRIEN	Vancouver, B.C.
R. E. PURVIS	Bremerton, Wash.

## OFFICERS

KARL J. SPRINGER	President
J. H. C. McCLELLAND	Vice-President
J. J. CROWHURST	Vice-President in Charge of Operations
J. D. MUNROE	Secretary-Treasurer

## OTHER EXECUTIVES

B. GOETTING	Mine Manager
W. R. BACON	Exploration Manager

## AUDITORS

PEAT, MARWICK, MITCHELL & CO.	Vancouver, B.C.
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## SOLICITORS

DOUGLAS, SYMES & BRISSENDEN	Vancouver, B.C.
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## TRANSFER AGENTS

THE CANADA TRUST COMPANY	Vancouver, B.C. and Toronto, Ont.
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## BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE	Vancouver and Penticton, B.C.
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EXECUTIVE OFFICE: 300 - 999 WEST PENDER STREET, VANCOUVER 1, B.C.



# Report of the Directors

To the Shareholders:

Your directors hereby present their report for the year ended December 31st, 1966, together with the Mine Manager's report and Consolidated Financial Statements and the Auditors' Report thereon.

## MINE:

Tons milled in 1966 were higher than in 1965. The grade of silver averaged 30.88 ounces per ton during the year as compared to 27.92 ounces per ton in 1965. This increase in grade was largely due to the extraction of most of the remaining parts of the orebodies in the western section of the mine. The grade of ore in the eastern section, in which the presently known reserves are situated, will probably be lower during 1967 and succeeding years.

The vigorous mine exploration and development program initiated in 1965 was continued in 1966 and has produced favourable results. During the last half of the year, this permitted a substantial increase in the daily mill tonnage which is being continued and is expected to compensate for the anticipated lower grade of ore milled.

## EARNINGS:

Operating profit at the mine increased to \$443,589. from \$290,054. in 1965. This was due mainly to an increase in concentrate sales amounting to \$1,177,532. as compared with \$983,722. in 1965. Operating costs were higher at \$733,943. as compared to \$693,668; this was principally the result of increased labor costs.

Revenue from sale of investments was \$320,954.

## INVESTMENTS

Marketable securities and short term investments at year end had a market value of \$6,409,755.

These include:

Mattagami Lake Mines Limited	320,000 shares
Leitch Gold Mines Limited	300,000 shares
Cariboo-Bell Copper Mines Limited including 240,614 escrow shares on which no market value has been placed	400,625 shares
Canada Tungsten Mining Corporation Ltd.	167,000 shares

Mattagami Lake Mines Limited had profits before write-offs of approximately \$22,919,000. or \$3.47 per share in 1966. All the senior debt has been retired and an initial interim dividend of 25c per share was declared payable March 22nd, 1967.

Leitch Gold Mines Limited continued active exploration throughout Canada including its participation with your Company. Investments having a book value of \$2,046,774. and a quoted market value of approximately \$7,612,000. were held by Leitch Gold Mines Limited at year end.

Cariboo-Bell Copper Mines Limited conducted a major development program at its property, located approximately fifty miles northeast of Williams Lake in the Cariboo Mining Division of British Columbia.

This program is presently being financed by Mitsui Mining & Smelting Company Limited, Nippon Mining Co., Ltd. and Sumitomo Metal Mining Co. of Canada Ltd., under an arrangement which involves two further optional stages culminating in the placing of the property into production. During the period March 1966 to March 1967, 48,301 feet of diamond drilling and 6,585 feet of percussion drilling indicated approximately 37,000,000 tons of an average grade of 0.50% copper and 0.015 ounces of gold before allowance for dilution. Three open pits are proposed with waste to ore ratio ranging from 1:1 to slightly in excess of 2:1. Metallurgical, geological and engineering investigations are being carried out currently.

Canada Tungsten Mining Corporation's operations in 1966 were at a highly gratifying level. A number of metallurgical problems were successfully resolved during the year and this in turn resulted in improved recoveries and output. Late in December, a serious fire occurred on the property and the mill was destroyed. Full priority is being given to re-building the concentrator and it is expected that milling will be resumed before the end of 1967.

## HOLDINGS IN OTHER COMPANIES (not included under marketable securities)

NEWFOUNDLAND ZINC MINES LIMITED (581,409 shares) continued exploration during 1966. Diamond drilling increased tonnage estimates to 3.7 million tons grading 7.32% zinc with one orebody containing about 2.0 million tons grading 9.5% zinc. Further exploration and development work is planned for 1967.

BELL MOLYBDENUM MINES LIMITED (581,240 shares) was formed late in 1966 by your Company and Leitch Gold Mines Ltd. to acquire a group of claims in the Skeena Mining Division five miles east of Alice Arm, British Columbia. Your Company's prospectors had discovered a large area of molybdenum mineralization on these claims in 1965.

Detailed geochemical work, surface prospecting and a limited amount of shallow diamond drilling outlined a favourable area con-



taining molybdenite bearing fractures in quartz monzonite and surrounding hornfels. The area of monzonite alone appears to be at least 1,400 feet by 2,000 feet. This geological situation is characteristic of molybdenum deposits in the Alice Arm area. Continuation of the exploration work, consisting largely of more extensive and deeper diamond drilling, is planned for 1967.

**BURNABY IRON MINES LIMITED** (542,750 shares) is jointly owned by your Company and Leitch Gold Mines Limited. To date eight million tons grading 49.5% iron have been indicated. Additional financing will be necessary for further development.

**PINE BELL MINES LIMITED** (387,500 shares) completed geophysical surveys over the Pine Point area mineral claims. Further work has been recommended on an anomaly disclosed by this work.

**HIGHLAND MERCURY MINES LIMITED** (386,625 shares) conducted a geochemical survey and completed several trenches on its claims in the Pinchi Lake area, British Columbia. Results were inconclusive, but further work is planned.

## **MINERAL EXPLORATION**

### **Western Canada—**

Prospecting was carried out in central British Columbia, along the northern line of the C.N.R., between Terrace and Smithers. Several molybdenum and copper occurrences were staked which warrant work in 1967.

In the Cariboo, exploration continued, mainly on claim groups held by record or under option. These investigations yielded nothing of significance. Similarly, farther south, in the Bonaparte Lake area, a large claim block was examined with negative results.

In the southern coastal area, the copper molybdenum prospect on Redonda Island was explored by trenching, rock blasting and sampling. Although the values obtained were generally uneconomic, the property is being retained pending further study.

No work was done on the uranium prospect in North Saskatchewan. In the Northwest Territories, geological examination of one claim group did not substantiate earlier indications. Limited diamond drilling on the second group of uranium claims returned some values of sufficient interest to warrant more work.

The Husky Syndicate, in which your Company has a one-third participation, has an option on a copper prospect in Northern British Columbia on which low grade disseminated

copper mineralization has been located. Development work will be carried out this year to determine if there is an economic deposit present.

### **Eastern Canada—**

Diamond drilling is planned to explore three areas, located by geochemical and geophysical surveys in New Brunswick by the Findathoran Syndicate, in which Mastodon-Highland Bell Mines Ltd. has a five percent interest. The program is under the direction of James, Bufam and Cooper, consulting geologists of Toronto, Ontario.

Exploration initiated in several areas of Nova Scotia during 1965 was continued in 1966, but results were disappointing. No further work is planned.

The Hoey Syndicate in which your Company has a small interest is currently investigating interesting uranium occurrences on the north shore of the Saint Lawrence River.

### **Texas Gulf Sulphur Co., Ltd.—**

The trial of the action, Leitch Gold Mines Limited and Mastodon-Highland Bell Mines Ltd. versus Texas Gulf Sulphur Company, commenced in the Supreme Court of Ontario in Toronto before Chief Justice G. A. Gale on October 31st, 1966. The evidence for the plaintiffs was completed on January 19th, 1967 and the defendant is now putting in its evidence. It is expected that the trial will continue at least until May 19th, 1967, to which date sittings have been scheduled.

Mr. John J. Robinette, Q.C. has been retained as counsel in this action by Leitch Gold Mines Limited and your Company.

In September Mr. O. S. Perry retired as Mine Manager and we are grateful for his past services.

Mr. Bruno E. Goetting, formerly Assistant Manager, is now Mine Manager, and is providing aggressive and competent management.

It is a pleasure at this time to express our appreciation to your General Manager, Mr. J. J. Crowhurst; your Mine Manager, Mr. B. E. Goetting; your Exploration Manager, Dr. W. R. Bacon; their staffs and all employees for their cooperation and efficient work on behalf of your Company during the past year.

On behalf of the Board,

K. J. SPRINGER, President

Vancouver, B.C.

April 3rd, 1967



# Mine Manager's Report

The President and Directors  
Mastodon-Highland Bell Mines Ltd.  
502 - 1200 West Pender Street  
VANCOUVER 1, B.C.

Gentlemen:

The following report covering operations of the Mastodon-Highland Bell Mine at Beavertown for the year ended December 31st, 1966, is respectfully submitted.

Production continued to come from the three levels, 2850, 2900, and 3000. The 2800 West area is nearly mined out. Probing for remnants will continue.

A potential of 6,000 tons or better of medium grade ore has been blocked out in the 2800 East zone and is currently being developed. This block, the up-dip extension of which has been mined throughout the year on the 3000 level, represents a wedge between two faults. Silver content and width of the vein decrease with depth.

Exploration and development has been continued along the strike of the ore zone to the east with favourable results on both the 2900 and 3000 levels. The usual complicated fault pattern makes it very difficult to outline any long range development programme. Drifting and cross-cutting proceed for about 200 feet at a time. This is followed by diamond-drilling in order not to lose contact with the ore zone.

In the easterly area a strong vein section was partly mined over approximately 300 feet along the strike during 1966. Additional diamond drilling values secured ahead of the present face indicate that this zone persists, although perhaps not quite as strong as in the ore shoot already mined. Gaps and weak zones between high-grade sections have been characteristic.

The ore in the east end of the mine from which most of the production is now secured appears to be closely related to the Wallace sediment - diorite contact area. Good silver values have been encountered where the vein enters into the sediments, although here it usually pinches after a relatively short distance.

The development work is being stepped up to keep pace with the increased production.

## LASS EXPLORATION:

The diamond drilling programme from the new drift on No. 7 level was discontinued after disappointing results. Minor extensions of ore previously stoped were picked up and will be mined.

Diamond drilling for possible faulted vein sections in the upper levels is planned. Geochemical surveying and surface prospecting will be done in 1967.

## MILL:

A 20% production increase was achieved towards the end of the year by running the ball mill at its capacity of 115 tons per day. The monthly production has been increased from 2,000 to 2,500 tons per month.

An additional fine ore bin is now being built in the mill to provide more storage capacity.

## PLANT AND EQUIPMENT:

All machinery has been maintained in good condition. No serious breakdowns were experienced. The three diesel generating units are operating at capacity.

A house trailer has replaced one of the older dwellings destroyed by fire.

## EXPLORATION AND DEVELOPMENT:

### Summary:

	1965	1966
Diamond drilling .....	23,291 feet	24,184 feet
Cross-cutting .....	1,426 feet	1,577 feet
Raising .....	545 feet	682 feet
Drifting .....	2,374 feet	1,830 feet

### Unit cost per foot of advances:

	1964	1965	1966
Drifting and Cross-cutting .....	27.14	26.00	27.43
Raising .....	33.22	33.34	38.30

## MILLING:

	1964	1965	1966
Ore Milled (Dry Tons) .....	25,090	23,213	24,138
Concentrates produced (Dry Tons)			
Jig .....	370	219	194
Lead .....	1,578	1,924	2,879
Zinc .....	573	418	521
	<u>2,521</u>	<u>2,561</u>	<u>3,594</u>

## COSTS PER TON:

Exploration and development .....	\$ 10.70	\$ 8.05
Mining .....	8.07	9.32
Milling .....	6.64	7.37
Ore handling and marketing .....	4.47	5.66
	<u>29.88</u>	<u>30.40</u>

## REVENUE:

Silver .....	\$ 839,387	\$ 968,564
Lead .....	75,918	111,547
Zinc .....	43,971	60,020
Gold .....	19,901	30,945
Cadmium .....	4,545	6,456
	<u>983,722</u>	<u>1,177,532</u>
Less Freight and treatment .....	88,601	120,060
Net Revenue .....	<u>895,121</u>	<u>1,057,472</u>

## PRODUCTION COMPARISON STATISTICS:

Year	Dry Tons Milled	Ag. Ozs. Per Ton	Ag. Ozs. Produced	Average Net Price Paid by Smelter		
				Silver c per oz.	Lead c per lb.	Zinc c per lb.
1962	19,480	42.77	833,153	110.10	5.96	3.98
1963	21,689	40.48	877,861	129.04	6.99	4.71
1964	25,090	32.28	809,819	129.65	10.13	6.97
1965	23,213	27.92	647,993	129.54	12.18	7.38
1966	24,138	30.88	745,278	129.96	10.56	6.18

## GENERAL:

Average grade of ore milled was increased by 10% due to an unexpected amount of high grade ore from a salvage operation in the west end of the mine. Mill tonnage was up by 925 tons over the previous year resulting in a higher net revenue. Operating expenses were up slightly from the 1965 figure on account of increased wages and cost of materials.

The writer wishes to thank the President and Directors of the Company for their much appreciated assistance and the staff and employees for their effective services.

Respectfully submitted,  
BRUNO GOETTING, Manager

Beaverdell, B.C.  
March 1st, 1967.



# HIGHLAND - BELL LIMITED

and subsidiary company MASTODON-HIGHLAND BELL MI

## ASSETS

	<u>1966</u>	<u>1965</u>
Current assets:		
Cash including short-term deposits	\$ 374,060	48,624
Marketable securities and short-term investments, at cost (quoted market value \$6,409,755; 1965 - \$7,744,315)	579,684	997,324
Accounts receivable:		
Smelter settlements	130,710	151,238
Other	16,565	11,329
	<u>147,275</u>	<u>162,567</u>
Accrued interest receivable	1,969	20,150
Inventory of supplies, at cost	42,795	38,422
Prepaid expenses	7,639	6,070
Refundable deposits	875	650
Total current assets	<u>1,154,297</u>	<u>1,273,807</u>
Special refundable tax	3,192	—
Other investments:		
Non-marketable securities	14,253	9,254
Buildings, machinery and equipment, at cost (Note 1)	893,116	871,052
Less accumulated depreciation	650,450	627,576
	<u>242,666</u>	<u>243,476</u>
Leasehold improvements, at cost less amounts written off	1,101	2,202
Mineral claims and properties:		
Producing mine, at cost	1,723,699	1,723,699
Other, at nominal value	1	1
	<u>1,723,700</u>	<u>1,723,700</u>
Incorporation and organization expenses	3,560	3,560
	<u>\$ 3,142,769</u>	<u>3,255,999</u>

Approved on behalf of the Board:

K. J. SPRINGER, Director

RALPH E. PURVIS, Director



*consolidated balance sheet - December 31st, 1966*

(With comparative figures for 1965)

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	<u>1966</u>	<u>1965</u>
Current liabilities:		
Bank demand loan, secured by marketable securities	\$ —	15,000
Accounts payable and accrued liabilities	68,774	78,169
Income taxes payable	326	—
Total current liabilities	<u>69,100</u>	<u>93,169</u>
5% debenture payable issued and redeemed during the year \$489,888 (1965 - \$489,887)		
Minority interest	1	1
Shareholders' equity:		
Capital stock:		
5% non-cumulative redeemable preference shares of \$1 par value per share. Authorized 340,000 shares; issued and redeemed during the year 489,888 shares (1965 - 489,887).		
Common shares of \$1 par value per share. Authorized 1,660,000 shares; issued and fully paid 1,632,960 shares	1,632,960	1,632,960
Surplus, per accompanying statement	1,440,708	1,529,869
	<u>3,073,668</u>	<u>3,162,829</u>
	<u>\$ 3,142,769</u>	<u>3,255,999</u>

See accompanying notes to consolidated financial statements.

# HIGHLAND-BELL LIMITED

and subsidiary company

## MASTODON-HIGHLAND-BELL MINES LIMITED

### *consolidated statement of profit and loss*

Year ended December 31, 1966 • (With comparative figures for 1965)

	1966	1965
Concentrate sales	\$ 1,177,532	983,722
Mining and milling expenses:		
Ore handling and marketing	136,795	103,915
Stoping	224,854	187,276
Exploration and development	194,409	248,419
Mill operating	177,885	154,058
	733,943	693,668
Operating profit	443,589	290,054
Head office and administrative expenses (Note 4)	168,912	135,317
Outside exploration	247,437	202,881
	416,349	338,198
	27,240	(48,144)
Other income:		
Dividends	18,000	30,000
Interest	34,571	137,555
Gain on sale of investments	320,954	12,305
Gain on disposal of fixed assets	5,157	—
Gain on disposal of mineral claims	20,875	—
Miscellaneous	1,765	752
	401,322	180,612
Profit before depreciation and taxes on income	428,562	132,468
Depreciation (Note 1)	27,509	27,599
Profit before taxes on income	401,053	104,869
Taxes on income	326	(745)
Consolidated net profit for the year (Note 2)	\$ 400,727	105,614

See accompanying notes to consolidated financial statements.



**HIGHLAND-BELL LIMITED**  
*and subsidiary company*  
**MASTODON-HIGHLAND-BELL MINES LIMITED**

*consolidated statement of surplus*

Year ended December 31, 1966 • (With comparative figures for 1965)

	1966	1965
Earned:		
Balance at beginning of year	\$ 428,840	836,959
Add consolidated net profit for the year	400,727	105,614
	<u>829,567</u>	<u>942,573</u>
Deduct:		
Stock dividend	489,888	489,887
Amount written off on assets of non-producing mine	—	23,846
	<u>489,888</u>	<u>513,733</u>
	<u>339,679</u>	<u>428,840</u>
Contributed surplus arising from premiums on shares issued:		
Balance at beginning of year	22,534	22,500
Premiums on shares issued for cash during the year	—	34
	<u>22,534</u>	<u>22,534</u>
Excess of book value of shares of subsidiary company over purchase price at dates of acquisition	<u>1,078,495</u>	<u>1,078,495</u>
Total consolidated surplus at end of year	<u>\$ 1,440,708</u>	<u>1,529,869</u>

See accompanying notes to consolidated financial statements.

# HIGHLAND - BELL LIMITED

*and subsidiary company*

## **Auditors' Report to the Shareholders**

We have examined the consolidated balance sheet of Highland-Bell Limited and subsidiary company Mastodon-Highland Bell Mines Ltd. as of December 31, 1966 and the consolidated statements of profit and loss, surplus and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of profit and loss, surplus and source and application of funds present fairly the financial position of the companies at December 31, 1966 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.,  
Chartered Accountants.

Vancouver, British Columbia.  
March 17, 1967.



## MASTODON-HIGHLAND BELL MINES LTD.

1. Depreciation is being recorded in the accounts at 10% on the reducing balance of the buildings, machinery and equipment.
2. Taxes on income were reduced for the year as:
  - (a) the subsidiary company intends to claim depreciation and development, pre-production and exploration expenses in excess of that recorded in the accounts,
  - (b) the parent company's income is derived mainly from tax-free dividends.
3. The trial of the action brought by the subsidiary company and Leitch Gold Mines Limited (plaintiffs) in the Supreme Court of Ontario against Texas Gulf Sulphur Inc. commenced on October 31, 1966. The plaintiffs allege breach of an agreement in which each of the plaintiffs has a one-half interest and claim, inter alia, certain lands, mining claims and mining rights and interest therein and rights thereto or, as an alternative, damages aggregating \$450,000,000.

Unbilled legal and other professional fees in connection with this litigation have not been reflected in the accompanying financial statements.
4. Payments were made during the year to, or on behalf of, directors amounting to \$33,600; 1965 - \$43,252.

### Notes to Consolidated Financial Statements

December 31, 1966

# HIGHLAND - BELL LIMITED

*and subsidiary company*

## MASTODON-HIGHLAND BELL MINES LTD.

### *consolidated statement of source and application of funds*

Year ended December 31, 1966 • (With comparative figures for 1965)

	1966	1965
Funds provided by:		
Operations:		
Consolidated net profit for the year	\$ 400,727	105,614
Less gain on disposal of equipment, included therein	5,157	—
	<u>395,570</u>	<u>105,614</u>
Add charges not requiring cash expenditure:		
Depreciation	27,509	27,599
Write-down of non-marketable securities	751	—
	<u>423,830</u>	<u>133,213</u>
Funds provided from operations		
Sale of machinery and equipment	2,271	13,250
Proceeds from insurance claim	9,000	—
Shares issued	—	39
	<u>435,101</u>	<u>146,502</u>
Total funds provided		
Funds applied to:		
Purchase of buildings, machinery and equipment	31,712	42,390
Redemption of preference shares issued as a stock dividend	489,888	489,887
Special refundable tax	3,192	—
Purchase of non-marketable securities	5,750	—
	<u>530,542</u>	<u>532,277</u>
Total funds applied		
Decrease in working capital	95,441	385,775
Working capital at beginning of year	<u>1,180,638</u>	<u>1,566,413</u>
Working capital at end of year	<u>\$ 1,085,197</u>	<u>1,180,638</u>



**Highland-Bell**  
LIMITED

